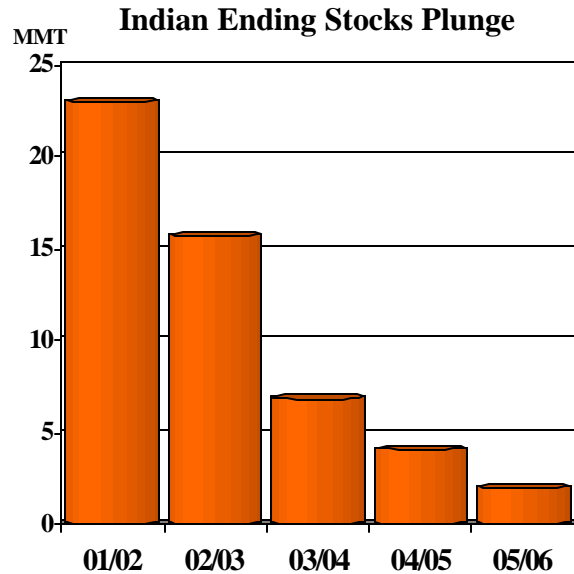

WHEAT: WORLD MARKETS AND TRADE

MONTHLY HIGHLIGHTS:

As Stocks Continue To Shrink, Indian Government Commits To Import: At the end of this marketing year (Apr-Mar), ending stocks in India are estimated to fall to only 2 million tons -- down more than 90 percent from just 5 years ago. This tightening of supply has caused prices to rise, especially in the wheat-deficit Southern regions. As a result, the Ministry of Food recently announced that the State Trading Corporation would soon purchase 500,000 tons specifically for those regions, to arrive before mid-May. These would be the first substantial wheat imports in nearly 6 years. Although the approaching harvest could temporarily reduce the need for additional purchases, diminished stocks will likely necessitate additional imports in the longer term.



EU Export Subsidies Drop: In the last two weeks, the subsidy level granted by the Commission for wheat exports has fallen from 9 euros to 3 as a result of rising competitor prices and reduced competition. Severe cold winter weather in Russia and Ukraine has heightened concern over winterkill in the new crop and has strengthened prices. Additionally, freezing conditions have created logistical problems in exporting old crop supplies, and January exports from Black Sea ports were down considerably. Diminished competition from the Black Sea region has helped EU export licenses to surge in the past month. Common wheat export licenses are currently 39 percent ahead of last year's pace, when exports were unsubsidized.

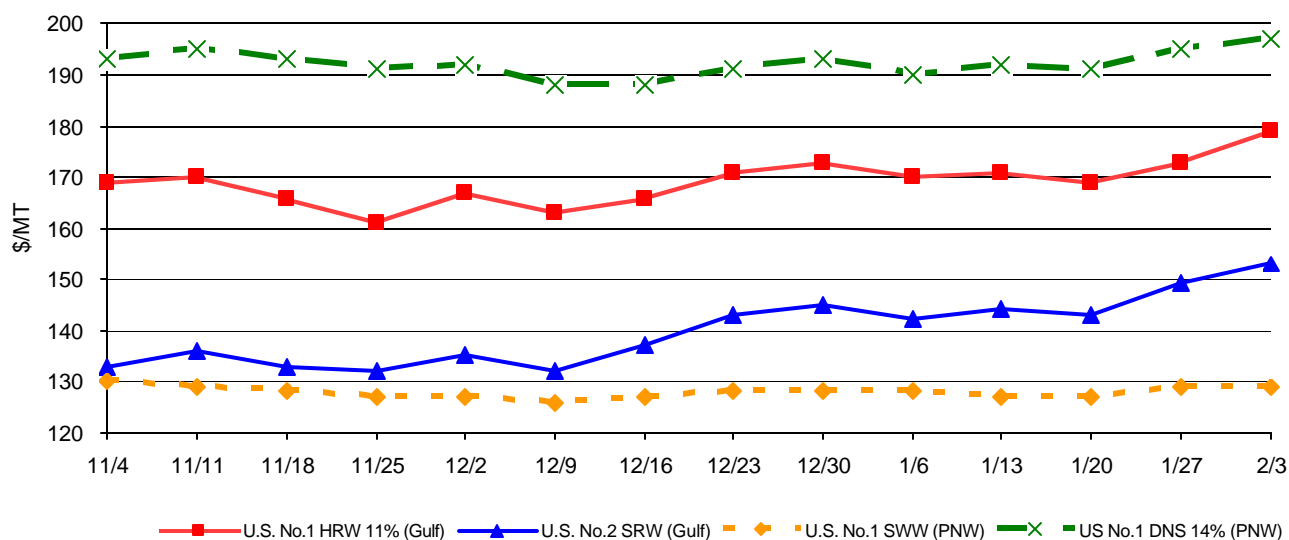
Less wheat has been offered into intervention so far this year as subsidized exports and stronger domestic feed demand have created greater market opportunities for farmers. Lower-quality crops in certain EU countries may also be a factor in fewer applications this year. Quantities offered or accepted so far stand at 2.8 million tons, down from 4.4 million this time last year.

PRICES:

Domestic: Prices rose for all wheat classes in January, accelerating at the end of the month. Hard Red Winter crop conditions continued to worsen, especially in Texas and Oklahoma. Also, the possibility of additional sales to Iraq, the second largest HRW market this year, helped to strengthen prices.

For the month, HRW and HRS prices were both up \$6 per ton, with SRW up \$10 per ton and Soft White up \$1 per ton.

U.S. Weekly FOB Export Bids



TRADE CHANGES IN 2005/2006

Selected Exporters

- **Australia** is down 500,000 tons to 16.0 million with sluggish exports during the first half of the trade year. Key markets such as China and Iraq have reduced purchases.
- **Brazil** is up 200,000 tons to 400,000 with recent sales and shipments of feed-quality wheat to Mediterranean and even Asian markets.
- **Kazakhstan** is down 300,000 tons to 3.2 million on very slow early-season exports.
- **Serbia and Montenegro** is up 125,000 tons to 200,000 on higher production and continued exports to Bosnia and Herzegovina.
- **Sri Lanka** is up 65,000 tons to a record 75,000 as flour exports have begun to Indonesia.

Selected Importers

- **China** is down 500,000 tons to 1.5 million as the import pace has faded in recent months.
- **EU-25** is up 300,000 tons to 7.5 on robust early-season imports as well as a strong pace of licenses to date.
- **Russia** is down 200,000 tons on slower than expected imports from Kazakhstan.